



Hawai'i District Office Lenders Quarterly

U.S. Small Business Administration Hawai'i District Office

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For More Information

- SBA offices are located in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam. For the office nearest you, look under "U.S. Government" in your telephone directory, or call the SBA Answer Desk.
- SBA Answer Desk:
1-800 U ASK SBA
- Fax: 202-205-7064
- E-mail: answerdesk@sba.gov
- TDD: 704-344-6640
- Your rights to regulatory fairness:
1-800-REG-FAIR
- SBA Home Page: www.sba.gov

All of the SBA's programs and services are provided to the public on a nondiscriminatory basis.

Happy New Year

What a Stellar 2004--Let's Look Forward to an Exceptional 2005!



The Lender and Lending Officer of the Year Awards breakfast, held on December 6 at the Plaza Club, was a stunning success. Administrator Hector Barreto reviewed the Agency's stellar year in the area of financial assistance, counseling and training, and government contracts. With respect to finance, he noted that SBA backed 74,825 7(a) loans totaling \$12.5 billion and 8,168 loans worth \$3.9 billion under the 504 Certified Development Company loan program.

Bank of Hawai'i was recognized as Lender of the Year category I and Central Pacific Bank Lender of the Year category II. Recipients for the Lending Officer of the Year gold award were John Dickinson—American Savings Bank with the most approved loans statewide, Jeff Murata-- First Hawaiian Bank, Dean Duque-- First Hawaiian Bank, Roxann Uyetake-- Bank of Hawai'i and Christie Dermengian-- Bank of Hawai'i.

The District Office acknowledged Innovative Bank (Oakland, California) as providing the most Community Express loans in Hawai'i. Sue Malone accepted the award on behalf of Innovative Bank. Also acknowledged for their support of small business were technical assistance providers Michele Fong of Pacific Gateway Center, Cherylle Morrow of the Hawai'i Women Business Center and Mark Tagawa of Hawai'i Small Business Development Center Network.

David Perkins, President of HEDCO LDC, recognized First Hawaiian Bank as approving the most "third party lender loans" under the 504 program and Bard Peterson—First Hawaiian Bank as closing the most "third party lender loans" with an accompanying funded debenture.

Congratulations to all!





Andrew Poepoe, Kathy Fujihara-Chong of Bank of Hawaii and Hector Barreto

The Lender and Lending Officer of the Year Awards contest continues for fiscal year 2005. As in 2004, the contest score will include approved 504 loans when tabulating the overall points for the top producing SBA guaranteed lenders.

Each 504 loan approval will garner two (2) points and one (1) bonus point will be awarded for 504 loans made to businesses owned 51% or more by women and veterans. These points will be applied to the Lender of the Year Contest only.

SBA has established two categories of lending institutions based on the total commercial loan portfolio reported by the Federal Deposit Insurance Corporation (FDIC) as of June 2004. Lenders with total commercial loans of \$500 million or more will compete in Category I and lenders with total commercial loans of less than \$500 million will compete in Category II.

SBA's Lending Officer of the Year contest will acknowledge an individual loan officer for his or her SBA loan making achievements. Two (2) points will be given for each loan approval. One (1) bonus point will continue to be awarded for each loan to firms owned 51% or more by women and 51% or more by veterans.



Picture with Hector Barreto and Andrew Poepoe (L-R) Central Pacific Bank-- Curtis Chinn, Blenn Fujimoto, Lawrence Pai, Naomi Masuno, Gwen Yamamoto Lau and Clinton Arnoldus

Other bonus points remain unchanged for two other SBA special loan program areas. CapLines will again receive one (1) bonus point. The Export Working Capital Loan program and Export Express loan will receive two (2) bonus points each, to encourage lenders to assist Hawai'i's emerging global market.

The Lender of the Year and Lending Officer of the Year contest begin October 1, 2004 and ends September 30, 2005.



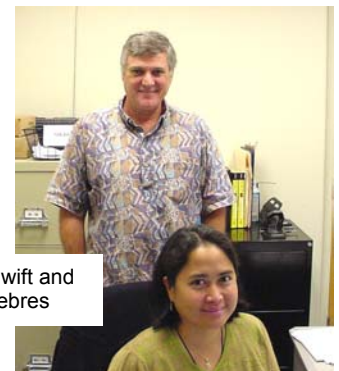
Pictured with Hector Barreto (L-R), John Dickinson of American Savings Bank, Jeff Murata of First Hawaiian Bank, Dean Duque of First Hawaiian Bank, accepting of behalf of Roxann Uyetake (Derek Chang) of Bank of Hawai'i and Christie Dermengian of Bank of Hawai'i

504 Loans An Integral Part of SBA's Financial Assistance



David Perkins

In 2004, the 504 loan program provided \$20,369,000 in debenture assistance amounting to 45 loans. SBA's two statewide community development companies are HEDCO Local Development Corporation and Lokahi Pacific Rural Development Inc. Pictured are David Perkins, President of HEDCO LDC and Craig Swift, Program Coordinator for Lokahi Pacific Rural Development Inc.



Craig Swift and Mimi Nebres

Small businesses periodically need long-term financing for business premise purchase or construction and equipment purchases. The Certified Development Company Program, often referred to as the "504 Program", is a joint federal government/private sector program that offers eligible small businesses financing for equipment (with an economic life of ten or more years), real property acquisition, building construction, expansion and renovation. The program allows private

sector lenders to meet the long-term credit needs of eligible small businesses by participating in project financing with the local Certified Development Company. The CDC provides subordinated second mortgage financing in the form of SBA guaranteed debentures at fixed interest rates for either 10-year or 20-year terms.

The private sector lending institution makes a first mortgage to cover at least 50% of the total project cost. The CDC provides up to **40% subordinated financing** through a SBA-guaranteed debenture **with a fixed interest rate**. Though there is no maximum project amount, the CDC's 40% portion is limited to \$1,500,000 including all administrative costs. Certain projects that support the Small Business Administration's Public Policy goals can have a maximum debenture level of \$2,000,000. The small business will provide at least 10% of the total project cost. Where a special use facility is being financed or a start-up business is being assisted, an additional 5% contribution is required.

HEDCO LDC has been a licensed Certified Development Company since September 1981 and Lokahi Pacific Rural Development Inc. since February 2003. Both organizations are nonprofit corporations set up to contribute to the economic development of the community and offer their services statewide. "Effective Rates" on debentures can be found at www.nadco.org or please call David Perkins, HEDCO LDC at (808) 521-6502 or Craig Swift, Lokahi Pacific Rural Development Inc. at (808) 242-5761 ext. 24.



Policy Notices

Changes to the 7(a) loan Program as a result of new legislation--5000-938:

On December 8, 2004, the FY05 Omnibus Appropriations Act was signed into law. The Small Business Reauthorization and Manufacturing Assistance Act of 2004 was part of the Omnibus Appropriations Act. The following changes were made to the 7(a) guaranty loan program.

Lending Authority-For FY 2005, the 7(a) Loan Program will have \$16.0 billion in lending authority.

Loan Amount*-

	<u>For Loans Approved 10/1/04 Through 12/07/04</u>	<u>For Loans Approved Beginning 12/08/04</u>
<u>Regular 7(a) Loan Program</u>		
Maximum Gross Loan Amount	\$2.0 million	No change
Maximum SBA Guarantee Amount	\$1.0 million	\$1.5 million
<u>SBA Express</u>		
Maximum Gross Loan Amount	\$250,000	\$350,000
<u>Community Express and Export Express</u>		
Maximum Gross Loan Amount	\$250,000	No change

(*Note: All post-approval modifications, including any requests for loan increases, are governed by the rules in effect at the time the loan was approved. The Reauthorization does not affect the maximum loan amount or maximum SBA-guaranteed amount for loans approved prior to December 8, 2004. However, any loan approved on December 8, 2004 or thereafter is subject to these new maximum amounts and, therefore, could be increased accordingly.)

Fees-

The 7(a) Loan Program becomes a zero subsidy loan program financed through fee income to SBA from borrowers and lenders. (Note: The approval date of a loan determines the fee percentages that apply to that loan. The Reauthorization does not affect the fee structure in place for loans approved prior to December 8, 2004.)

<u>Fees</u>	<u>Loans Approved October 1, 2004 Through December 7, 2004</u>	<u>Loans Approved December 8, 2004 Through End of FY 2005</u>
<u>Guaranty Fee</u> [under 13 CFR 120.220(a)]		
<u>Short Term Loans (12 months or less)</u>	0.25 percent of SBA guaranteed portion.	No change.
<u>Loans with a Maturity greater than 12 months</u>		
<u>Total (Gross) Loan Amount</u> \$150,000 or less	2 percent of SBA guaranteed portion. Lender is permitted to retain up to 25 percent of the fee. (50 basis points)	No change.
\$150,001 to \$700,000	3 percent of SBA guaranteed portion.	No change.
\$700,001 – maximum loan amount	3.5 percent of SBA guaranteed portion.	No change.
<u>When SBA-Guaranteed Portion of Loan Amount is over \$1,000,000</u> \$1,000,001 to \$1,500,000	No additional fee because SBA's guarantee is limited to \$1,000,000.	An <u>additional</u> 0.25 percent on any SBA-guaranteed amount over \$1 million (a total of 3.75 percent on the SBA-guaranteed portion over \$1 million).*
<u>Lender Yearly Service Fee</u> (under 13 CFR 120.220(f))	0.50 percent of the outstanding balance of the SBA guaranteed portion	No change.

(*Note: An example of the additional fee of 0.25 percent on the SBA-guaranteed portion over \$1.0 million is: the guaranty fee on a \$2,000,000 loan with a 75 percent guaranty (\$1.5 million guaranteed amount) would be 3.5 percent of \$1,000,000 (\$35,000) PLUS 3.75 percent of \$500,000 (\$18,750) which totals \$53,750.)

7(a) Loan Guaranty Limit-

The loan guaranty limit is increased from \$1.0 million to \$1.5 million. Any one small business borrower (together with its affiliates) may now obtain a loan or loans with total SBA-guaranteed amount of up to \$1,500,000 outstanding. As a reminder, the 7(a) and 504 loan programs are combined when determining the maximum SBA guarantee amount that one borrower is permitted to have approved and outstanding.

SBAExpress-

The Express program is no longer considered a pilot program and now deemed permanent (with the exception of those Express programs that have a SBA guaranty of greater than 50%). The maximum gross amount of a SBAExpress loan is increased to \$350,000.

Piggyback Financing Not Available-SBA Policy Notice No. 5000-931, suspending SBA's policy in SOP 50 10 (4) of allowing 7(a) loans to be structured as "piggyback financing" as of 10/1/04, remains in effect.

Changes to 504 Loan Program as a Result of New Legislation—5000-940

These changes are effective as of the date of enactment (December 8, 2004).

Lending Authority-The 504 Loan Program will have \$5 billion in lending authority.

504 Loan/Gross Debenture Amount-

<u>Maximum 504 Loan Amount</u>	<u>Loans Approved Through 12/07/04</u>	<u>Loans Approved on or after 12/08/04</u>
Regular 504 loans	\$1.0 million	\$1.5 million
504 loans that meet a public policy goal (described in 501(d)(3) of the SBI Act)	\$1.3 million	\$2.0 million
504 loans to “small manufacturers” (new category, see 502(2)(B) of SBI Act as amended by Reauthorization)	N/A – This category did not exist prior to the Reauthorization	\$4.0 million

As a reminder, the dollar amount of a 504 loan request from a small business is combined with all outstanding 504 and 7(a) guaranty loan balances of that same business (including all affiliates) when determining the maximum SBA guaranteed amount that one borrower is permitted to have approved and outstanding. (SOP 50 10, Subpart A, Chapter 4, para. 2, page 96-1)

504 Project Job Requirements-

The 504 Loan Program was principally designed to promote job creation. A CDC must demonstrate that each 504 project meets at least one of the following three economic development objectives: 1) creation of a specific number of jobs within two years of the completion of the project or the preservation or retention of jobs attributable to the project; 2) improvement of the economy of the locality; or 3) achievement of one or more of the public policy goal. If eligibility is based on the criteria in items 2) or 3) above, the overall loan portfolio of the CDC must also satisfy applicable job creation or retention criteria.

The following chart sets forth the changes in job creation and retention criteria:

<u>Job Creation or Retention Requirement</u>	<u>As of 11/6/03 Federal Register Notice</u>	<u>For Loans Approved Beginning 12/08/04</u>
<u>Calculations Based on Individual Loans</u>		
Regular 504 Project	1 job for every \$50,000 guaranteed by SBA	Same except for a new provision for a Small Manufacturer (see below)
504 Project for a Small Manufacturer	Category did not exist	1 job for every \$100,000 guaranteed by SBA.
<u>Calculations Based on Total Loan Portfolio</u>		
CDC's total 504 Loan Portfolio	1 job for every \$50,000 in CDC's outstanding 504 loan portfolio	1 job for every \$50,000 in CDC's outstanding 504 loan portfolio, <u>excluding</u> 504 loans to Small Manufacturers and in Special Geographic Areas. *
Portion of CDC's 504 Loan Portfolio comprised of 504 projects located in Special Geographic Areas *	1 job for every \$65,000 in CDC's outstanding 504 loan portfolio *	1 job for every \$75,000 in CDC's outstanding 504 loan portfolio, excluding 504 loans to Small Manufacturers.
Portion of CDC's 504 Loan Portfolio comprised of 504 projects to Small Manufacturers	Category did not exist	Loans to Small Manufacturers are excluded from the job requirement applicable to CDC's portfolio

* Special Geographic Areas means Alaska, Hawai'i, State-designated enterprise zones, empowerment zones, enterprise communities, and labor surplus areas.

504 Loans to Small Manufacturers-

The Reauthorization permits 504 loans for Small Manufacturers for an amount up to \$4 million. Small Manufacturer is defined as a small business concern that has:

- 1) its primary business classified in sector 31, 32, or 33 of the North American Industrial Classification System (NAICS); and
- 2) all of its production facilities located in the United States.

In order to qualify for a \$4 million 504 loan, therefore, the Small Manufacturer must 1) meet the definition of a Small Manufacturer described above, and 2) either (i) create or retain at least 1 job per \$100,000 guaranteed by SBA or (ii) improve the economy of the locality or achieve one or more public policy goals.

If you have questions to the above policy notices, please call Kimberly Hite at 541-3024, Mary Dale at 541-2983 or Jerry M. Hirata at 541-2969.

SBA Lender's Training

**7(a) Guaranty Loan Program
Prince Kuhio Federal Building
February 2, 2005 - Wednesday
8:00am – 12:30 pm
Room 5-208**

Parking Available at:

District Parking (corner of Pohukaina and Keawe) \$4.00 all day

Restaurant Row (before 9:00am) \$7.00 all day –please park on the 5th floor

No parking at the Prince Kuhio Federal Building

Name: _____

Name: _____

Phone Number: _____

Fax Number: _____

Please Fax Back to (808) 541-2976 (SBA)—Monday January 24, 2005

Attention: Ms. Arlene Orsino (ph: (808) 541-2988)

On-line Training Available Through www.readytalk.com

As resources become limited and time more valuable, SBA has made available “one hour” **on-line training** for SBAExpress, LowDoc and the 504 loan programs. This tool is accessible through the web-site www.readytalk.com. “Readytalk” allows individual training from personal workstations. There is no need to establish a meeting location—training is available at your desktop.

To arrange training for your team or individually, please call Jerry M. Hirata at (808) 541-2969.

Loan Activity, FY 2005
Three Months Ended 12/31/04

<u>Bank</u>	<u>No. of Loans</u>	<u>Loan Amount(000's)</u> <u>Gross</u>	<u>SBA</u>
Bank of Hawaii	34	2572.8	1285.9
Central Pacific Bank	16	917.5	729.2
American Savings Bank	12	1567.0	1238.8
First Hawaiian Bank	11	678.4	462.4
Citizens Security Bank	4	210.0	140.0
Center Bank	2	1050.0	750.0
Hawaii National Bank	1	175.0	131.3
Capital One	1	50.0	25.0
Sub-total	81	7220.7	4762.5
Innovative Bank	19	110.0	93.5
Microloan	4	35.0	35.0
Total 7(a) Loans	104	7365.7	4891.0
HEDCO 504 Loans	3	1845.0	1845.0
Grand Total	107	9210.7	6736.0

NUMBER OF LOANS BY COUNTY & GUAM

	<u>Oahu</u>	<u>Hawaii</u>	<u>Maui</u>	<u>Kauai</u>	<u>Guam</u>	<u>Samoa</u>	<u>Total</u>
Bank of Hawaii	9	7	3	1	13	1	34
Central Pacific Bank	15	1					16
American Savings Bank	9		3				12
First Hawaiian Bank	5	1	2	2	1		11
Citizens Security Bank					4		4
Center Bank	2						2
Hawaii National Bank	1						1
Capital One	1						1
Sub-total	42	9	8	3	18	1	81
Innovative Bank	14	1	1	3			19
Microloan	4						4
Total 7(a) Loans	60	10	9	6	18	1	104
HEDCO 504 Loans	1		2				3
Grand Total	61	10	11	6	18	1	107

**Lending Officer Loan Activity as of
December 31, 2004**

Lending Officer	Bank	Branch	# Loans	Pts. = # Loans X 2	Bonus Points				Total = Pts. + Bonus Pts.
Oahu									
Masuno, Naomi	CPB	Kaimuki	12	24	8	1			33
Nakagawa, Raymond	ASB	Main	8	16	4	1			21
Dickinson, John	ASB	Main	4	8	3				11
Pai, Lawrence	CPB	Main	3	6	2	2			10
Jean, Jay	BOH	Ala Moana	2	4	2				6
Cha, Dina	BOH	Waialae/Kahala	2	4	1				5
Kihe, Demaney	FHB	Kaneohe	1	2	0	1			3
Kaneko, Steven	BOH	Waialae/Kahala	1	2	1				3
Comes, Steve	FHB	Makiki	1	2					2
Fujinaka, Keene	BOH	Pearlridge	1	2					2
Lim, Stephen	FHB	Kailua	1	2					2
Mendonsa, Gareth	FHB	Moanalua	1	2					2
Racadio, Mel	BOH	Ala Moana	1	2					2
Son, Trong	FHB	Main	1	2					2
Tsuhako, Suzanne	BOH	Pearlridge	1	2					2
Uyeda, Dean	HNB	Maikiki	1	2					2
Yamashita, Bryan	BOH	Main	1	2					2
Total			42						
Kauai									
Canute, Thomas	FHB	Koloa	1	2	1				3
Mayfield, James	BOH	Lihue	1	2		1			3
Kahawai, Leland	FHB	Lihue	1	2					2
Sandrowski, Jennifer	BOH	Kukui Grove	1	2					2
Total			4						
Maui									
Wilhelm, Nicole	BOH	Kihei	2	4	1				5
Duque, Dean	FHB	Kahului	1	2	1				3
Mayfield, James	BOH	Kukui Grove	1	2		1			3
Peterson, Bard	FHB	Kahului	1	2					2
Total			5						
East Hawaii									
Uyetake, Roxann	BOH	Kaiko'o	2	4					4
Stroh, Marcella	CPB	Hilo	1	2					2
Kouchi, Don	FHB	Kamehameha	1	2					2
Total			4						
West Hawaii									
Potter, Emily	BOH	Kamuela	2	4	1				5
Binney, Jocelyn	BOH	Kailua-Kona	2	4	1				5
Dermengian, Christie	BOH	Kailua-Kona	1	2	1				3
Total			5						

